

# HEARING EXHIBIT NO. 17

(Merits Hearing of 4/3-4/2018)

In the matter of Docket No. 2017-292-WS:  
Application of Carolina Water Service, Incorporated,  
for Approval of an Increase in Its Rates  
for Water and Sewer Services

I hereby certify this document to be a  
true copy of the original.

*Jacelyn Boyd*  
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Chief Clerk

Date 8/30/18



Carolina Water Service, Inc.  
Operating Experience, Rate Base and Rate of Return  
Combined Operations - Water and Sewer Service Territory 1 & 2  
Docket No. 2017-292-WS  
Test Year Ended August 31, 2017

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b>Operating Revenues</b>					
Service Revenues - Water	10,351,801	445,276	10,797,077	2,394,421	13,191,498
Service Revenues - Sewer	10,602,605	(1,660,950)	8,941,655	2,292,098	11,233,753
Miscellaneous Revenues	474,882	22,313	497,195	35,576	532,771
Uncollectible Accounts	(309,649)	15,394	(294,255)	(53,292)	(347,547)
<b>Total Operating Revenues</b>	<b>21,119,639</b>	<b>(1,177,967)</b>	<b>19,941,672</b>	<b>4,668,803</b>	<b>24,610,475</b>
<b>Maintenance Expenses</b>					
Salaries and Wages	2,565,425	134,298	2,699,723	0	2,699,723
Capitalized Time	(525,777)	(15,911)	(541,688)	0	(541,688)
Purchased Power	895,192	(75,032)	820,160	0	820,160
Purchased Water and Sewer	3,313,014	598,804	3,911,818	0	3,911,818
Maintenance and Repair	2,232,236	(32,474)	2,199,762	0	2,199,762
Maintenance Testing	265,450	(8,831)	256,619	0	256,619
Meter Reading	110,205	(25)	110,180	0	110,180
Chemicals	487,720	(87,780)	399,940	0	399,940
Transportation	206,630	(1,065)	205,565	0	205,565
Operating Exp. Charged to Plant	0	0	0	0	0
<b>Total Maintenance Expenses</b>	<b>9,550,095</b>	<b>511,984</b>	<b>10,062,079</b>	<b>0</b>	<b>10,062,079</b>
<b>General Expenses</b>					
Salaries and Wages	700,280	(72,820)	627,460	0	627,460
Office Supplies & Other Office Exp	416,692	(112,585)	304,107	0	304,107
Regulatory Commission Exp.	318,145	(229,367)	88,778	0	88,778
Pension & Other Benefits	763,625	55,633	819,258	0	819,258
Rent	25,580	(178)	25,402	0	25,402
Insurance	112,963	(20,955)	292,008	0	292,008
Office Utilities	599,990	(59,574)	540,416	0	540,416
Outside Services	281,034	(8,435)	272,599	0	272,599
Non-Utility Misc Income	0	0	0	0	0
Miscellaneous	34,173	(114,681)	(80,508)	0	(80,508)
<b>Total General Expenses</b>	<b>3,452,482</b>	<b>(562,962)</b>	<b>2,889,520</b>	<b>0</b>	<b>2,889,520</b>
<b>Depreciation</b>	<b>1,717,514</b>	<b>(83,079)</b>	<b>1,634,435</b>	<b>0</b>	<b>1,634,435</b>
Amortization of CIAC	(416,355)	10,505	(405,850)	0	(405,850)
Taxes Other Than Income	2,925,145	101,876	3,027,021	24,473	3,051,494
Income Taxes - State	177,733	(125,484)	52,249	232,218	284,467
Income Taxes - Federal	1,074,691	(866,213)	208,478	926,544	1,135,022
Sale of Utility Property	(29,323)	29,323	0	0	0
Amort. Investment Tax Credit	(8,853)	0	(8,853)	0	(8,853)
Amortization of PAA	(17,129)	1,756	(15,373)	0	(15,373)
<b>Total Other Expenses</b>	<b>5,423,423</b>	<b>(931,316)</b>	<b>4,492,107</b>	<b>1,183,235</b>	<b>5,675,342</b>
<b>Total Operating Expenses</b>	<b>18,426,000</b>	<b>(982,294)</b>	<b>17,443,706</b>	<b>1,183,235</b>	<b>18,626,941</b>
<b>Net Operating Income</b>	<b>2,693,639</b>	<b>(195,673)</b>	<b>2,497,966</b>	<b>3,485,568</b>	<b>5,983,534</b>
Customer Growth	0	24,448	24,448	37,983	62,431
Interest During Construction	(89,608)	89,608	0	0	0
<b>Net Income (Loss) For Return</b>	<b>2,783,247</b>	<b>(260,833)</b>	<b>2,522,414</b>	<b>3,523,551</b>	<b>6,045,965</b>
<b>Original Cost Rate Base:</b>					
Gross Plant In Service	101,446,033	(6,274,846)	95,171,187	0	95,171,187
Accumulated Depreciation	(15,938,540)	2,949,621	(12,988,919)	0	(12,988,919)
Net Plant In Service	85,507,493	(3,325,225)	82,182,268	0	82,182,268
Deferred Charges	0	0	0	0	0
Cash Working Capital	1,625,322	(6,372)	1,618,950	0	1,618,950
Contributions In Aid of Construction	(21,662,799)	732,675	(20,930,124)	0	(20,930,124)
Accumulated Deferred Income Taxes	(7,539,471)	-	(7,539,471)	0	(7,539,471)
Customer Deposits	(336,522)	-	(336,522)	0	(336,522)
Advances in Aid of Construction	0	-	0	0	0
Plant Acquisition Adjustment	(892,626)	32,541	(860,085)	0	(860,085)
<b>Total Rate Base</b>	<b>56,701,397</b>	<b>(2,566,381)</b>	<b>54,135,016</b>	<b>0</b>	<b>54,135,016</b>
<b>Return on Rate Base</b>	<b>4.91%</b>		<b>4.66%</b>		<b>11.17%</b>
<b>Operating Margin</b>	<b>4.88%</b>		<b>4.06%</b>		<b>17.60%</b>
<b>Interest Expense</b>	<b>1,752,211</b>	<b>(38,520)</b>	<b>1,713,691</b>	<b>0</b>	<b>1,713,691</b>

**Carolina Water Service, Inc.**  
**Operating Experience, Rate Base and Rate of Return**  
**Water Service Territory 1**  
**Docket No. 2017-292-WS**  
**Test Year Ended August 31, 2017**

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b><u>Operating Revenues</u></b>					
Service Revenues - Water	5,452,075	346,907 (1)	5,798,982	1,376,052 (38)	7,175,034
Miscellaneous Revenues	77,994	38,775 (3)	116,769	5,679 (40)	122,448
Uncollectible Accounts	(74,834)	(4,612) (4)	(79,446)	(23,464) (41)	(102,910)
<b>Total Operating Revenues</b>	<b>5,455,235</b>	<b>381,070</b>	<b>5,836,305</b>	<b>1,358,267</b>	<b>7,194,572</b>
<b><u>Maintenance Expenses</u></b>					
Salaries and Wages	734,418	147,974 (5)	882,392	0	882,392
Capitalized Time	(152,357)	(22,727) (6)	(175,084)	0	(175,084)
Purchased Power	98,484	0 (7)	98,484	0	98,484
Purchased Water and Sewer	1,584,518	507,467 (8)	2,091,985	0	2,091,985
Maintenance and Repair	238,310	157,941 (9)	396,251	0	396,251
Maintenance Testing	47,105	0 (10)	47,105	0	47,105
Meter Reading	27,157	0 (11)	27,157	0	27,157
Chemicals	171,165	0 (12)	171,165	0	171,165
Transportation	65,923	(338) (13)	65,585	0	65,585
Operating Exp. Charged to Plant	0	0	0	0	0
<b>Total Maintenance Expenses</b>	<b>2,814,723</b>	<b>790,317</b>	<b>3,605,040</b>	<b>0</b>	<b>3,605,040</b>
Salaries and Wages	223,895	(3,616) (14)	220,279	0	220,279
Office Supplies & Other Office Exp	140,296	(1) (15)	140,295	0	140,295
Regulatory Commission Exp.	89,055	(61,357) (16)	27,698	0	27,698
Pension & Other Benefits	244,150	21,219 (17)	265,369	0	265,369
Rent	882	0 (18)	882	0	882
Insurance	100,059	0 (19)	100,059	0	100,059
Office Utilities	171,113	0 (20)	171,113	0	171,113
Outside Services	93,301	0 (21)	93,301	0	93,301
Non-Utility Misc Income	0	0	0	0	0
Miscellaneous	10,937	(35,694) (22)	(24,757)	0	(24,757)
<b>Total General Expenses</b>	<b>1,073,688</b>	<b>(79,449)</b>	<b>994,239</b>	<b>0</b>	<b>994,239</b>
Depreciation	408,320	3,174 (23)	411,494	0	411,494
Amortization of CIAC	(153,614)	(11,458) (24)	(165,072)	0	(165,072)
Taxes Other Than Income	941,798	(386,708) (25)	555,090	7,120 (42)	562,210
Income Taxes - State	57,365	(48,303) (26)	9,062	67,558 (43)	76,620
Income Taxes - Federal	352,610	(316,451) (27)	36,159	269,554 (44)	305,713
Sale of Utility Property	(9,565)	9,565 (28)	0	0	0
Amort. Investment Tax Credit	(3,746)	0	(3,746)	0	(3,746)
Amortization of PAA	(13,504)	341 (29)	(13,163)	0	(13,163)
<b>Total Other Expenses</b>	<b>1,579,664</b>	<b>(749,840)</b>	<b>829,824</b>	<b>344,232</b>	<b>1,174,056</b>
<b>Total Operating Expenses</b>	<b>5,468,075</b>	<b>(38,972)</b>	<b>5,429,103</b>	<b>344,232</b>	<b>5,773,335</b>
<b>Net Operating Income</b>	<b>(12,840)</b>	<b>420,042</b>	<b>407,202</b>	<b>1,014,035</b>	<b>1,421,237</b>
Customer Growth	0	6,378 (30)	6,378	15,881 (45)	22,259
Interest During Construction	(37,304)	37,304 (31)	0	0	0
<b>Net Income (Loss) For Return</b>	<b>24,464</b>	<b>389,116</b>	<b>413,580</b>	<b>1,029,916</b>	<b>1,443,496</b>
<b><u>Original Cost Rate Base:</u></b>					
Gross Plant In Service	23,487,720	457,867 (32)	23,945,587	0	23,945,587
Accumulated Depreciation	(4,854,113)	672,263 (33)	(4,181,850)	0	(4,181,850)
Net Plant In Service	18,633,607	1,130,130	19,763,737	0	19,763,737
Deferred Charges	0	0	0	0	0
Cash Working Capital	486,051	88,859 (34)	574,910	0	574,910
Contributions In Aid of Construction	(8,705,515)	(293,006) (35)	(8,998,521)	0	(8,998,521)
Accumulated Deferred Income Taxes	(2,037,503)	0	(2,037,503)	0	(2,037,503)
Customer Deposits	(96,794)	0	(96,794)	0	(96,794)
Advances in Aid of Construction	0	0	0	0	0
Plant Acquisition Adjustment	(639,510)	0 (36)	(639,510)	0	(639,510)
<b>Total Rate Base</b>	<b>7,640,336</b>	<b>925,983</b>	<b>8,566,319</b>	<b>0</b>	<b>8,566,319</b>
<b>Return on Rate Base</b>	<b>0.32%</b>		<b>4.83%</b>		<b>16.85%</b>
<b>Operating Margin</b>	<b>-8.44%</b>		<b>2.44%</b>		<b>16.29%</b>
<b>Interest Expense</b>	<b>484,978</b>	<b>(213,804) (37)</b>	<b>271,174</b>	<b>0</b>	<b>271,174</b>

**Carolina Water Service, Inc.**  
**Operating Experience, Rate Base and Rate of Return**  
**Water Service Territory 2**  
**Docket No. 2017-292-WS**  
**Test Year Ended August 31, 2017**

<b>Description</b>	<b>(1) Application Per Books \$</b>	<b>(2) Accounting &amp; Pro Forma Adjustments \$</b>	<b>(3) After Accounting &amp; Pro Forma Present \$</b>	<b>(4) Proposed Increase \$</b>	<b>(5) After Proposed Increase \$</b>
<b><u>Operating Revenues</u></b>					
Service Revenues - Water	4,899,726	98,369 (1)	4,998,095	1,018,369 (38)	6,016,464
Miscellaneous Revenues	87,878	29,988 (3)	117,866	8,203 (40)	126,069
Uncollectible Accounts	(97,600)	(1,862) (4)	(99,462)	(22,128) (41)	(121,590)
<b>Total Operating Revenues</b>	<b>4,890,004</b>	<b>126,495</b>	<b>5,016,499</b>	<b>1,004,444</b>	<b>6,020,943</b>
<b><u>Maintenance Expenses</u></b>					
Salaries and Wages	605,795	98,618 (5)	704,413	0	704,413
Capitalized Time	(121,565)	(15,005) (6)	(136,570)	0	(136,570)
Purchased Power	174,030	0 (7)	174,030	0	174,030
Purchased Water and Sewer	698,309	91,377 (8)	789,686	0	789,686
Maintenance and Repair	393,248	41,193 (9)	434,441	0	434,441
Maintenance Testing	91,976	0 (10)	91,976	0	91,976
Meter Reading	44,640	0 (11)	44,640	0	44,640
Chemicals	45,389	0 (12)	45,389	0	45,389
Transportation	43,956	(218) (13)	43,738	0	43,738
Operating Exp. Charged to Plant	0	0	-	0	-
<b>Total Maintenance Expenses</b>	<b>1,975,778</b>	<b>215,965</b>	<b>2,191,743</b>	<b>0</b>	<b>2,191,743</b>
Salaries and Wages	147,808	(5,357) (14)	142,451	0	142,451
Office Supplies & Other Office Exp	72,002	(4,004) (15)	67,998	0	67,998
Regulatory Commission Exp.	61,841	(41,702) (16)	20,139	0	20,139
Pension & Other Benefits	161,182	45,872 (17)	207,054	0	207,054
Rent	22,222	0 (18)	22,222	0	22,222
Insurance	66,064	0 (19)	66,064	0	66,064
Office Utilities	172,712	0 (20)	172,712	0	172,712
Outside Services	51,922	0 (21)	51,922	0	51,922
Non-Utility Misc Income	0	0	-	0	-
Miscellaneous	7,191	(24,950) (22)	(17,759)	0	(17,759)
<b>Total General Expenses</b>	<b>762,944</b>	<b>(30,141)</b>	<b>732,803</b>	<b>0</b>	<b>732,803</b>
Depreciation	381,084	22,272 (23)	403,356	0	403,356
Amortization of CIAC	(6,917)	95 (24)	(6,822)	0	(6,822)
Taxes Other Than Income	595,630	303,066 (25)	898,696	5,265 (42)	903,961
Income Taxes - State	48,377	(34,459) (26)	13,918	49,959 (43)	63,877
Income Taxes - Federal	285,967	(230,433) (27)	55,534	199,336 (44)	254,870
Sale of Utility Property	(5,714)	5,714 (28)	0	0	0
Amort. Investment Tax Credit	0	0	0	0	0
Amortization of PAA	1,564	0 (29)	1,564	0	1,564
<b>Total Other Expenses</b>	<b>1,299,991</b>	<b>66,255</b>	<b>1,366,246</b>	<b>254,560</b>	<b>1,620,806</b>
<b>Total Operating Expenses</b>	<b>4,038,713</b>	<b>252,079</b>	<b>4,290,792</b>	<b>254,560</b>	<b>4,545,352</b>
<b>Net Operating Income</b>	<b>851,291</b>	<b>(125,584)</b>	<b>725,707</b>	<b>749,884</b>	<b>1,475,591</b>
Customer Growth	0	3,023 (30)	3,023	3,124 (45)	6,147
Interest During Construction	(1,227)	1,227 (31)	0	0	0
<b>Net Income (Loss) For Return</b>	<b>852,518</b>	<b>(123,788)</b>	<b>728,730</b>	<b>753,008</b>	<b>1,481,738</b>
<b><u>Original Cost Rate Base:</u></b>					
Gross Plant In Service	21,172,722	345,700 (32)	21,518,422	0	21,518,422
Accumulated Depreciation	(2,943,316)	(35,802) (33)	(2,979,118)	0	(2,979,118)
Net Plant In Service	18,229,406	309,898	18,539,304	0	18,539,304
Deferred Charges	0	0	0	0	0
Cash Working Capital	342,340	23,228 (34)	365,568	0	365,568
Contributions In Aid of Construction	(340,937)	(1,566) (35)	(342,503)	0	(342,503)
Accumulated Deferred Income Taxes	(2,015,134)	0	(2,015,134)	0	(2,015,134)
Customer Deposits	(90,218)	0	(90,218)	0	(90,218)
Advances in Aid of Construction	0	0	0	0	0
Plant Acquisition Adjustment	(131,612)	0 (36)	(131,612)	0	(131,612)
<b>Total Rate Base</b>	<b>15,993,845</b>	<b>331,560</b>	<b>16,325,405</b>	<b>0</b>	<b>16,325,405</b>
<b>Return on Rate Base</b>	<b>5.33%</b>		<b>4.46%</b>		<b>9.08%</b>
<b>Operating Margin</b>	<b>6.95%</b>		<b>4.22%</b>		<b>16.03%</b>
<b>Interest Expense</b>	<b>512,661</b>	<b>4,134 (37)</b>	<b>516,795</b>	<b>0</b>	<b>516,795</b>



**Carolina Water Service, Inc.**  
**Operating Experience, Rate Base and Rate of Return**  
**Sewer Service Territory 1 and 2**  
**Docket No. 2017-292-WS**  
**Test Year Ended August 31, 2017**

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b><u>Operating Revenues</u></b>					
Service Revenues - Sewer	10,602,605	(1,660,950)	(2) 8,941,655	2,292,098	(39) 11,233,753
Miscellaneous Revenues	309,010	(46,450)	(3) 262,560	21,694	(40) 284,254
Uncollectible Accounts	(137,215)	21,868	(4) (115,347)	(7,700)	(41) (123,047)
<b>Total Operating Revenues</b>	<b>10,774,400</b>	<b>(1,685,532)</b>	<b>9,088,868</b>	<b>2,306,092</b>	<b>11,394,960</b>
<b><u>Maintenance Expenses</u></b>					
Salaries and Wages	1,225,212	(112,294)	(5) 1,112,918	0	1,112,918
Capitalized Time	(251,855)	21,821	(6) (230,034)	0	(230,034)
Purchased Power	622,678	(75,032)	(7) 547,646	0	547,646
Purchased Water and Sewer	1,030,187	(40)	(8) 1,030,147	0	1,030,147
Maintenance and Repair	1,600,678	(231,608)	(9) 1,369,070	0	1,369,070
Maintenance Testing	126,369	(8,831)	(10) 117,538	0	117,538
Meter Reading	38,408	(25)	(11) 38,383	0	38,383
Chemicals	271,166	(87,780)	(12) 183,386	0	183,386
Transportation	96,751	(509)	(13) 96,242	0	96,242
Operating Exp. Charged to Plant	0	0	0	0	-
<b>Total Maintenance Expenses</b>	<b>4,759,594</b>	<b>(494,298)</b>	<b>4,265,296</b>	<b>0</b>	<b>4,265,296</b>
Salaries and Wages	328,577	(63,847)	(14) 264,730	0	264,730
Office Supplies & Other Office Exp	204,394	(108,580)	(15) 95,814	0	95,814
Regulatory Commission Exp.	167,249	(126,308)	(16) 40,941	0	40,941
Pension & Other Benefits	358,293	(11,458)	(17) 346,835	0	346,835
Rent	2,476	(178)	(18) 2,298	0	2,298
Insurance	146,840	(20,955)	(19) 125,885	0	125,885
Office Utilities	256,165	(59,574)	(20) 196,591	0	196,591
Outside Services	135,811	(8,435)	(21) 127,376	0	127,376
Non-Utility Misc Income	0	0	-	0	-
Miscellaneous	16,045	(54,037)	(22) (37,992)	0	(37,992)
<b>Total General Expenses</b>	<b>1,615,850</b>	<b>(453,372)</b>	<b>1,162,478</b>	<b>0</b>	<b>1,162,478</b>
Depreciation	928,110	(108,525)	(23) 819,585	0	819,585
Amortization of CIAC	(255,824)	21,868	(24) (233,956)	0	(233,956)
Taxes Other Than Income	1,387,717	185,518	(25) 1,573,235	12,088	(42) 1,585,323
Income Taxes - State	71,991	(42,722)	(26) 29,269	114,701	(43) 143,970
Income Taxes - Federal	436,114	(319,329)	(27) 116,785	457,654	(44) 574,439
Sale of Utility Property	(14,044)	14,044	(28) 0	0	0
Amort. Investment Tax Credit	(5,107)	0	(5,107)	0	(5,107)
Amortization of PAA	(5,189)	1,415	(29) (3,774)	0	(3,774)
<b>Total Other Expenses</b>	<b>2,543,768</b>	<b>(247,731)</b>	<b>2,296,037</b>	<b>584,443</b>	<b>2,880,480</b>
<b>Total Operating Expenses</b>	<b>8,919,212</b>	<b>(1,195,401)</b>	<b>7,723,811</b>	<b>584,443</b>	<b>8,308,254</b>
<b>Net Operating Income</b>	<b>1,855,188</b>	<b>(490,131)</b>	<b>1,365,057</b>	<b>1,721,649</b>	<b>3,086,706</b>
Customer Growth	0	15,047	(30) 15,047	18,978	(45) 34,025
Interest During Construction	(51,077)	51,077	(31) 0	0	0
<b>Net Income (Loss) For Return</b>	<b>1,906,265</b>	<b>(526,161)</b>	<b>1,380,104</b>	<b>1,740,627</b>	<b>3,120,731</b>
<b><u>Original Cost Rate Base:</u></b>					
Gross Plant In Service	56,785,591	(7,078,413)	(32) 49,707,178	0	49,707,178
Accumulated Depreciation	(8,141,111)	2,313,160	(33) (5,827,951)	0	(5,827,951)
Net Plant In Service	48,644,480	(4,765,253)	43,879,227	0	43,879,227
Deferred Charges	0	0	0	0	0
Cash Working Capital	796,931	(118,459)	(34) 678,472	0	678,472
Contributions In Aid of Construction	(12,616,347)	1,027,247	(35) (11,589,100)	0	(11,589,100)
Accumulated Deferred Income Taxes	(3,486,834)	0	(3,486,834)	0	(3,486,834)
Customer Deposits	(149,510)	0	(149,510)	0	(149,510)
Advances in Aid of Construction	0	0	0	0	0
Plant Acquisition Adjustment	(121,504)	32,541	(36) (88,963)	0	(88,963)
<b>Total Rate Base</b>	<b>33,067,216</b>	<b>(3,823,924)</b>	<b>29,243,292</b>	<b>0</b>	<b>29,243,292</b>
<b>Return on Rate Base</b>	<b>5.76%</b>		<b>4.72%</b>		<b>10.67%</b>
<b>Operating Margin</b>	<b>10.69%</b>		<b>5.00%</b>		<b>19.26%</b>
<b>Interest Expense</b>	<b>754,572</b>	<b>171,150</b>	<b>(37) 925,722</b>	<b>0</b>	<b>925,722</b>

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<b>Accounting and Pro Forma Adjustments</b>				
<b><u>Operating Revenues</u></b>				
<b>(1) Service Revenues - Water</b>				
To adjust water service revenues to reflect test year customer billings.				
Per ORS	445,276	346,907	98,369	0
Per CWS	173,476	149,827	23,649	0
<b>(2) Service Revenues - Sewer</b>				
To adjust sewer service revenues to reflect test year customer billings.				
Per ORS	(1,660,950)	0	0	(1,660,950)
Per CWS	(1,692,502)	0	0	(1,692,502)
<b>(3) Miscellaneous Revenues</b>				
To adjust miscellaneous revenues for the test year.				
Per ORS	22,313	38,775	29,988	(46,450)
Per CWS	(17,433)	0	0	(17,433)
<b>(4) Uncollectible Accounts</b>				
To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.				
Per ORS	15,394	(4,612)	(1,862)	21,868
Per CWS	15,498	(2,078)	(466)	18,042
<b><u>Maintenance Expenses</u></b>				
<b>(5) Salaries &amp; Wages</b>				
To annualize operators' salaries for the test year and account for the removal of the I-20 sewer system.				
Per ORS	134,298	147,974	98,618	(112,294)
Per CWS	67,880	68,588	51,935	(52,643)
<b>(6) Capitalized Time</b>				
To adjust capitalized time based on pro-forma salaries and account for the removal of the I-20 sewer system.				
Per ORS	(15,911)	(22,727)	(15,005)	21,821
Per CWS	(4,788)	(9,560)	(7,077)	11,849

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<b>(7) Purchased Power</b>				
To adjust purchased power for removal of I-20 facility.				
Per ORS	(75,032)	0	0	(75,032)
Per CWS	(75,032)	0	0	(75,032)
<b>(8) Purchased Water and Sewer</b>				
To adjust purchased water & sewer expense to reflect a going forward expense level.				
Per ORS	598,804	507,467	91,377	(40)
Per CWS	587,002	484,280	102,762	(40)
<b>(9) Maintenance and Repair</b>				
<b>(9a) To increase maintenance and repair for deferred maintenance.</b>				
Per ORS	(13)	4,696	3,404	(8,113)
Per CWS	8,100	4,696	3,404	0
<b>(9b) To remove expenses associated with I-20 facility.</b>				
Per ORS	(116,131)	0	0	(116,131)
Per CWS	(116,131)	0	0	(116,131)
<b>(9c) To increase maintenance and repair for deferred purchased water expenses.</b>				
Per ORS	191,034	153,245	37,789	0
Per CWS	230,386	186,306	44,080	0
<b>(9d) To decrease maintenance and repair to normalize abnormal sludge hauling expense due to consent orders with DHEC.</b>				
Per ORS	(96,892)	0	0	(96,892)
Per CWS	0	0	0	0
<b>(9e) To decrease maintenance and repair for reclassifying certain expenses to rate base.</b>				
Per ORS	(10,472)	0	0	(10,472)
Per CWS	0	0	0	0
<b>(9) Total Maintenance and Repair Per ORS</b>	<b>(32,474)</b>	<b>157,941</b>	<b>41,193</b>	<b>(231,608)</b>
<b>Total Maintenance and Repair Per CWS</b>	<b>122,355</b>	<b>191,002</b>	<b>47,484</b>	<b>(116,131)</b>

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<b>(15b) To remove expenses associated with I-20 facility.</b>				
Per ORS	(17,344)	0	0	(17,344)
Per CWS	(17,344)	0	0	(17,344)
<b>(15) Total Office Supplies &amp; Other Office Expense Per ORS</b>	<b>(112,585)</b>	<b>(1)</b>	<b>(4,004)</b>	<b>(108,580)</b>
<b>Total Office Supplies &amp; Other Office Expense Per CWS</b>	<b>(112,585)</b>	<b>(1)</b>	<b>(4,004)</b>	<b>(108,580)</b>
<b>(16) Regulatory Commission Expense</b>				
To amortize current and unamortized prior rate case expenses over a three-year period.				
Per ORS	(229,367)	(61,357)	(41,702)	(126,308)
Per CWS	(133,357)	(31,154)	(33,388)	(68,815)
<b>(17) Pension &amp; Other Benefits</b>				
To annualize pension and other benefits associated with pro-forma salaries.				
Per ORS	55,633	21,219	45,872	(11,458)
Per CWS	81,636	22,950	50,302	8,384
<b>(18) Rent</b>				
To remove expenses associated with I-20 facility.				
Per ORS	(178)	0	0	(178)
Per CWS	(178)	0	0	(178)
<b>(19) Insurance</b>				
To remove expenses associated with I-20 facility.				
Per ORS	(20,955)	0	0	(20,955)
Per CWS	(20,955)	0	0	(20,955)
<b>(20) Office Utilities</b>				
To remove expenses associated with I-20 facility.				
Per ORS	(59,574)	0	0	(59,574)
Per CWS	(59,574)	0	0	(59,574)
<b>(21) Outside Services</b>				
To remove expenses associated with I-20 facility.				
Per ORS	(8,435)	0	0	(8,435)
Per CWS	(8,435)	0	0	(8,435)

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<b>(22) Miscellaneous</b>				
<b>(22a) To remove expenses associated with I-20 facility.</b>				
Per ORS	(844)	0	0	(844)
Per CWS	(844)	0	0	(844)
<b>(22b) To remove additional non-allowable expenses identified by ORS.</b>				
Per ORS	(113,837)	(35,694)	(24,950)	(53,193)
Per CWS	0	0	0	0
<b>(22) Total Miscellaneous Per ORS</b>	<u>(114,681)</u>	<u>(35,694)</u>	<u>(24,950)</u>	<u>(54,037)</u>
<b>Total Miscellaneous Per CWS</b>	<u>(844)</u>	<u>0</u>	<u>0</u>	<u>(844)</u>
<b>(23) Depreciation Expense</b>				
To annualize depreciation expense for known and measurable plant in service including extraordinary retirements. See Audit Exhibit ZJP-6.				
Per ORS	<u>(83,079)</u>	<u>3,174</u>	<u>22,272</u>	<u>(108,525)</u>
Per CWS	<u>(73,958)</u>	<u>18,316</u>	<u>(18,873)</u>	<u>(73,401)</u>
<b>(24) Amortization of Contributions in Aid of Construction (CIAC)</b>				
To annualize the amortization of CIAC expense. See Audit Exhibit ZJP-6.				
Per ORS	<u>10,505</u>	<u>(11,458)</u>	<u>95</u>	<u>21,868</u>
Per CWS	<u>14,935</u>	<u>(12,020)</u>	<u>86</u>	<u>26,869</u>
<b>(25) Taxes Other Than Income</b>				
<b>(25a) To adjust payroll taxes associated with adjusted salaries.</b>				
Per ORS	28,888	10,117	16,723	2,048
Per CWS	32,858	5,106	13,879	13,873
<b>(25b) To adjust gross receipts and utility/commission taxes after the accounting and pro forma adjustments using a factor of .00524169.</b>				
Per ORS	23,787	7,766	5,756	10,265
Per CWS	(8,198)	809	128	(9,135)
<b>(25c) To adjust for pro-forma property taxes.</b>				
Per ORS	286,173	(404,591)	280,587	410,177
Per CWS	25,627	64,475	32,709	(71,557)

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<b>(25d) To remove other taxes associated with I-20 facility.</b>				
Per ORS	(236,972)	0	0	(236,972)
Per CWS	0	0	0	0
<b>(25) Total Taxes Other Than Income Per ORS</b>	<u>101,876</u>	<u>(386,708)</u>	<u>303,066</u>	<u>185,518</u>
<b>Total Taxes Other Than Income Per CWS</b>	<u>50,287</u>	<u>70,390</u>	<u>46,716</u>	<u>(66,819)</u>
<b>(26) Income Taxes - State</b>				
To adjust state income taxes after accounting and pro forma adjustments. See Audit Exhibit ZJP-7.				
Per ORS	<u>(125,484)</u>	<u>(48,303)</u>	<u>(34,459)</u>	<u>(42,722)</u>
Per CWS	<u>(160,063)</u>	<u>(84,035)</u>	<u>(25,332)</u>	<u>(50,696)</u>
<b>(27) Income Taxes - Federal</b>				
To adjust federal income taxes after accounting and pro forma adjustments. See Audit Exhibit ZJP-7.				
Per ORS	<u>(866,213)</u>	<u>(316,451)</u>	<u>(230,433)</u>	<u>(319,329)</u>
Per CWS	<u>(957,190)</u>	<u>(529,970)</u>	<u>(132,717)</u>	<u>(294,503)</u>
<b>(28) Sale of Utility Property</b>				
To reflect the removal of sale of utility property for ratemaking purposes.				
Per ORS	<u>29,323</u>	<u>9,565</u>	<u>5,714</u>	<u>14,044</u>
Per CWS	<u>29,323</u>	<u>9,565</u>	<u>5,714</u>	<u>14,044</u>
<b>(29) Amortization of Plant Acquisition Adjustment ("PAA")</b>				
To adjust the amortization of the PAA.				
Per ORS	<u>1,756</u>	<u>341</u>	<u>0</u>	<u>1,415</u>
Per CWS	<u>341</u>	<u>341</u>	<u>0</u>	<u>0</u>
<b>(30) Customer Growth</b>				
To adjust for customer growth after the accounting and pro forma adjustments. The growth factors of 1.5662% for water territory 1, 0.4166% for water territory 2, and 1.1023% for sewer were computed by the Utility Rates Department.				
Per ORS	<u>24,448</u>	<u>6,378</u>	<u>3,023</u>	<u>15,047</u>
Per CWS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**Carolina Water Service, Inc.**  
**Explanation of Accounting and Pro Forma Adjustments**  
**Docket No. 2017-292-WS**  
**For the Test Year Ended August 31, 2017**

<u>Description</u>	<u>\$ Combined Operations</u>	<u>\$ Water Terr. 1 Operations</u>	<u>\$ Water Terr. 2 Operations</u>	<u>\$ Sewer Operations</u>
<b>(31) Interest During Construction ("IDC")</b>				
To eliminate IDC for rate making purposes.				
Per ORS	<u>89,608</u>	<u>37,304</u>	<u>1,227</u>	<u>51,077</u>
Per CWS	<u>89,608</u>	<u>37,304</u>	<u>1,227</u>	<u>51,077</u>
<b>(32) Gross Plant in Service</b>				
<b>(32a) To adjust plant in service for changes in allocations and service lives of vehicles and computers.</b>				
Per ORS	(84,429)	86,378	111,346	(282,153)
Per CWS	0	(24,798)	45,267	(20,469)
<b>(32b) To adjust for excess book value per prior Commission orders.</b>				
Per ORS	(1,937,905)	(930,194)	0	(1,007,711)
Per CWS	(493,722)	(208,836)	0	(284,886)
<b>(32c) To adjust for pro-forma general ledger additions, pro-forma plant, and pro-forma retirements.</b>				
Per ORS	2,922,554	1,301,683	234,354	1,386,517
Per CWS	2,742,356	965,253	229,046	1,548,057
<b>(32d) To adjust for the removal of DHEC consent order consulting.</b>				
Per ORS	(306,552)	0	0	(306,552)
Per CWS	0	0	0	0
<b>(32e) To adjust gross plant in service for removal of I-20 facility.</b>				
Per ORS	(6,868,514)	0	0	(6,868,514)
Per CWS	<u>(6,868,514)</u>	<u>0</u>	<u>0</u>	<u>(6,868,514)</u>
<b>(32) Total Gross Plant in Service Per ORS</b>	<u>(6,274,846)</u>	<u>457,867</u>	<u>345,700</u>	<u>(7,078,413)</u>
<b>Total Gross Plant in Service Per CWS</b>	<u>(4,619,880)</u>	<u>731,619</u>	<u>274,313</u>	<u>(5,625,812)</u>
<b>(33) Accumulated Depreciation</b>				
<b>(33a) To adjust accumulated depreciation for current depreciation, vehicles, computers, and prior rate case adjustments.</b>				
Per ORS	453,963	(8,158)	(35,802)	497,923
Per CWS	245,171	135,339	(99,028)	208,860

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(33b) To adjust accumulated depreciation for excess book value.				
Per ORS	1,417,544	680,421	0	737,123
Per CWS	0	0	0	0
(33c) To adjust accumulated depreciation for removal of I-20 facility.				
Per ORS	1,078,114	0	0	1,078,114
Per CWS	1,078,114	0	0	1,078,114
(33) Total Accumulated Depreciation Per ORS	2,949,621	672,263	(35,802)	2,313,160
Total Accumulated Depreciation Per CWS	1,323,285	135,339	(99,028)	1,286,974
(34) Cash Working Capital				
To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit ZJP-8.				
Per ORS	(6,372)	88,859	23,228	(118,459)
Per CWS	38,664	89,825	25,018	(76,179)
(35) Contributions in Aid of Construction ("CIAC")				
To adjust CIAC to reflect the amortization of CIAC expense, pro-forma CIAC additions, and the removal of I-20 CIAC. See Audit Exhibit ZJP-6.				
Per ORS	732,675	(293,006)	(1,566)	1,027,247
Per CWS	1,377,162	5,128	30	1,372,004
(36) Plant Acquisition Adjustment ("PAA")				
To adjust the PAA to reflect the removal of the I-20 facility.				
Per ORS	32,541	0	0	32,541
Per CWS	32,541	0	0	32,541
(37) Interest Expense				
To adjust interest on debt using a 48.11% and 51.89% debt to equity ratio and 6.58% cost of debt. ORS computed allowable interest expense after accounting and pro forma adjustments. See Audit Exhibit ZJP-9.				
Per ORS	(38,520)	(213,804)	4,134	171,150
Per CWS	(10,737)	(211,875)	1,471	199,667

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<b><u>Proposed Increase</u></b>				
<b>(38) Service Revenues - Water</b>				
To adjust water service revenues for ORS's recalculation of the Company's proposed rate increase.				
Per ORS	<u>2,394,421</u>	<u>1,376,052</u>	<u>1,018,369</u>	<u>0</u>
Per CWS	<u>2,312,034</u>	<u>1,317,240</u>	<u>994,794</u>	<u>0</u>
<b>(39) Service Revenues - Sewer</b>				
To adjust sewer service revenues for ORS's recalculation of the Company's proposed rate increase.				
Per ORS	<u>2,292,098</u>	<u>0</u>	<u>0</u>	<u>2,292,098</u>
Per CWS	<u>2,284,616</u>	<u>0</u>	<u>0</u>	<u>2,284,616</u>
<b>(40) Miscellaneous Revenues</b>				
To adjust miscellaneous revenues for ORS's recalculation of the Company's proposed rate increase.				
Per ORS	<u>35,576</u>	<u>5,679</u>	<u>8,203</u>	<u>21,694</u>
Per CWS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>(41) Uncollectible Accounts</b>				
To adjust for uncollectible accounts associated with the Company's proposed rate increase.				
Per ORS	<u>(53,292)</u>	<u>(23,464)</u>	<u>(22,128)</u>	<u>(7,700)</u>
Per CWS	<u>(85,236)</u>	<u>(17,693)</u>	<u>(21,426)</u>	<u>(46,117)</u>
<b>(42) Taxes Other Than Income</b>				
To adjust gross receipts and utility/commission taxes associated with the Company's proposed increase using a factor of .00524169.				
Per ORS	<u>24,473</u>	<u>7,120</u>	<u>5,265</u>	<u>12,088</u>
Per CWS	<u>24,810</u>	<u>7,110</u>	<u>5,369</u>	<u>12,331</u>
<b>(43) Income Taxes -State</b>				
To adjust state income taxes associated with the Company's proposed increase. See Audit Exhibit ZJP-7.				
Per ORS	<u>232,218</u>	<u>67,558</u>	<u>49,959</u>	<u>114,701</u>
Per CWS	<u>224,330</u>	<u>64,622</u>	<u>48,400</u>	<u>111,308</u>

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<b>(44) Income Taxes - Federal</b>				
To adjust federal income taxes associated with the Company's proposed increase. See Audit Exhibit ZJP-7.				
Per ORS	926,544	269,554	199,336	457,654
Per CWS	1,491,795	429,735	321,859	740,201
<b>(45) Customer Growth</b>				
To adjust for customer growth after proposed increase. The growth factors of 1.5662% for water territory 1, 0.4166% for water territory 2, and 1.1023% for sewer were computed by the Utility Rates Department.				
Per ORS	37,983	15,881	3,124	18,978
Per CWS	0	0	0	0

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**Carolina Water Service, Inc.**  
**Depreciation and Amortization Expense Adjustments**  
**Docket No. 2017-292-WS**  
**For the Test Year Ended August 31, 2017**

	Combined Operations \$	Water Terr. 1 Operations \$	Water Terr. 2 Operations \$	Sewer Operations \$
<b><u>Depreciation Expense</u></b>				
Gross Plant @ 8-31-17	101,446,033	23,487,720	21,172,723	56,785,590
Add:				
ORS Net Plant Additions Adjustment	(6,274,846)	457,867	345,700	(7,078,413)
Less:				
Organization @ 8/31/17	334,859	84,616	213,814	36,429
Land @ 8/31/17	702,610	325,067	271,444	106,099
Engineering Expenses over 10 years (Ends 2026)	28,264	0	0	28,264
Vehicles @ 2/12/18 (ORS Adjusted Per Books)	1,782,232	577,034	446,046	759,152
Computers @ 2/12/18 (ORS Adjusted Per Books)	3,474,416	1,219,711	788,782	1,465,923
Net Plant @ 2/12/18	88,848,806	21,739,159	19,798,337	47,311,310
Plant Depreciation @ 1.5% (66.67 years)	1,332,732	326,087	296,975	709,670
Vehicles @ 2/12/18	1,782,232	577,034	446,046	759,152
Less: Fully Depreciated Vehicles	1,019,584	336,746	256,508	426,330
Net Vehicles @ 2/12/18	762,648	240,288	189,538	332,822
Vehicle Depreciation @ 20.00% (5 years)	152,530	48,058	37,908	66,564
Computers @ 2/12/18	3,474,416	1,219,711	788,782	1,465,923
Less: Fully Depreciated Computers	2,706,042	949,970	614,342	1,141,730
Net Computers @ 2/12/18	768,374	269,741	174,440	324,193
Computer Depreciation @ 12.5% (8 years)	96,048	33,718	21,805	40,525
Indian Pines Extraordinary Retirement (Ends 2029)	54,441	54,441	0	0
Indian Pines Depr. @ 6.67% (15 years)	3,631	3,631	0	0
Purdy Shores & Foxwood Retirement (Ends 2024)	466,682	0	466,682	0
PS & Foxwood @ 10% (10 years)	46,668	0	46,668	0
Engineering Expenses over 10 Years (Ends 2026)	28,264	0	0	28,264
Engineering Expense Depr. @ 10.00% (10 years)	2,826	0	0	2,826
ORS Total Depreciation	1,634,435	411,494	403,356	819,585
Less: Per Books Depreciation	1,717,514	408,320	381,084	928,110
<b>ORS Depreciation Adjustment # 23</b>	<b>(83,079)</b>	<b>3,174</b>	<b>22,272</b>	<b>(108,525)</b>
Company's Adjustment	(73,959)	18,316	(18,873)	(73,402)

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**For the Test Year Ended August 31, 2017**

	Combined Operations \$	Water Terr. 1 Operations \$	Water Terr. 2 Operations \$	Sewer Operations \$
<b><u>Amortization of CIAC Adjustment</u></b>				
Gross CIAC @ 8/31/17	(28,342,338)	(10,700,360)	(453,420)	(17,188,558)
Remove I-20 WWTP Gross CIAC	1,913,189	0	0	1,913,189
Pro Forma CIAC Additions (as of 2/12/18)	(627,585)	(304,465)	(1,470)	(321,650)
ORS Adjusted Gross CIAC	<u>(27,056,734)</u>	<u>(11,004,825)</u>	<u>(454,890)</u>	<u>(15,597,019)</u>
Accumulated Amortization of CIAC @ 8/31/17	6,679,540	1,994,846	112,482	4,572,212
Remove I-20 WWTP CIAC Accumulated Amortization	(542,425)	0	0	(542,425)
ORS Amortization Adjustment #24	(10,505)	11,458	(95)	(21,868)
ORS Adjusted CIAC Accumulated Amortization	<u>6,126,610</u>	<u>2,006,304</u>	<u>112,387</u>	<u>4,007,919</u>
ORS Adjusted Net CIAC	<u>(20,930,124)</u>	<u>(8,998,521)</u>	<u>(342,503)</u>	<u>(11,589,100)</u>
Less: Per books CIAC	<u>(21,662,799)</u>	<u>(8,705,515)</u>	<u>(340,937)</u>	<u>(12,616,347)</u>
<b>ORS Net CIAC Adjustment # 35</b>	<b><u>732,675</u></b>	<b><u>(293,006)</u></b>	<b><u>(1,566)</u></b>	<b><u>1,027,247</u></b>
CIAC Amortization @ 1.5% (66.67 years)	(405,851)	(165,072)	(6,823)	(233,956)
Less: Per Books Amortization of CIAC	<u>(416,356)</u>	<u>(153,614)</u>	<u>(6,918)</u>	<u>(255,824)</u>
<b>ORS CIAC Amortization Adjustment # 24</b>	<b><u>10,505</u></b>	<b><u>(11,458)</u></b>	<b><u>95</u></b>	<b><u>21,868</u></b>
Company's Adjustment	<u>14,935</u>	<u>(12,020)</u>	<u>86</u>	<u>26,869</u>
<b><u>Amortization of PAA Adjustment</u></b>				
Gross PAA @ 2/12/18	(1,024,823)	(877,546)	104,292	(251,569)
PAA Amortization @ 1.5% (66.67 years)	(15,373)	(13,163)	1,564	(3,774)
Less: Per Books Amortization of PAA	<u>(17,129)</u>	<u>(13,504)</u>	<u>1,564</u>	<u>(5,189)</u>
<b>ORS Amortization of PAA Adjustment #29</b>	<b><u>1,756</u></b>	<b><u>341</u></b>	<b><u>0</u></b>	<b><u>1,415</u></b>



**Carolina Water Service, Inc.**  
**Cash Working Capital Allowance**  
**Docket No. 2017-292-WS**  
**For the Test Year Ended August 31, 2017**

After Accounting & Pro Forma Adjustments				
Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
Maintenance Expenses	10,062,079	3,605,040	2,191,743	4,265,296
General Expenses	2,889,520	994,239	732,803	1,162,478
Total Expenses for Computation	12,951,599	4,599,279	2,924,546	5,427,774
Allowable Rate	12.50%	12.50%	12.50%	12.50%
Computed Cash Working Capital	1,618,950	574,910	365,568	678,472
Less: Cash Working Capital - Application Per Books	1,625,322	486,051	342,340	796,931
<b>ORS Cash Working Capital Adjustment #34</b>	<b>(6,372)</b>	<b>88,859</b>	<b>23,228</b>	<b>(118,459)</b>
Company's Cash Working Capital Adjustment	38,664	89,825	25,018	(76,179)

### Water Terr. 1 Operations

### Water Terr. & Operations

### Sewer Openitions

**Note 1:** The interest expense calculations reflect ORS's capital structure ratios and cost of debt applied to the Company's per book numbers.